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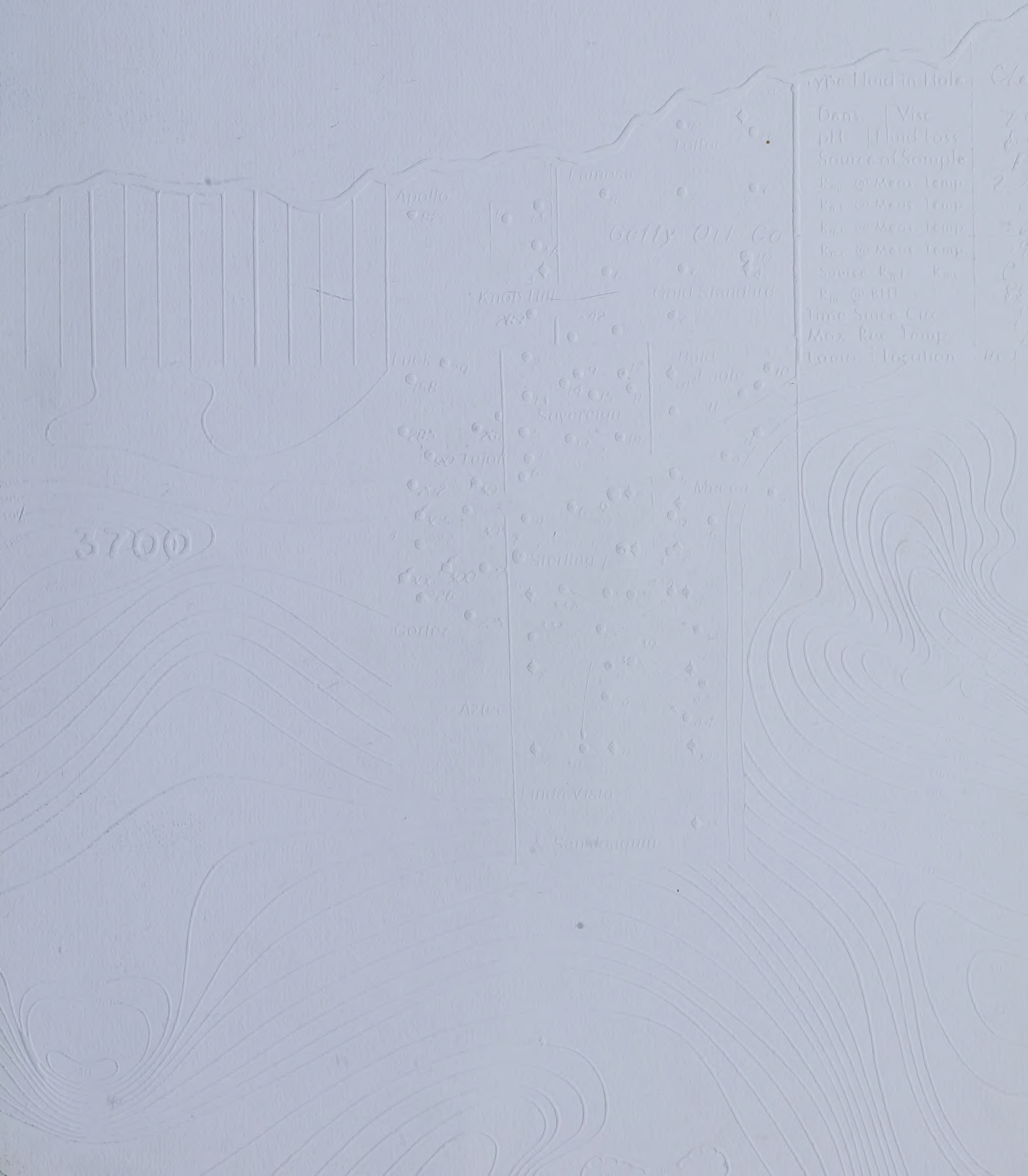
Getty

Getty Oil Company 41st Annual Report 1969



Getty Oil Company Annual Report 1969

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Type Fluid in Hole
Dens.
Visc.
pH
Fluid Loss
Source of Sample

Consolidated Highlights

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

FINANCIAL	1969	1968
Sales and other revenues (including excise taxes)	$1,265,528,000	$1,204,374,000
Income before minority interest and extraordinary items	124,187,000	118,057,000
Less minority interest in income of consolidated subsidiaries	(18,426,000)	(19,807,000)
Income before extraordinary items	105,761,000	98,250,000
Extraordinary items	13,507,000	—
Net income	119,268,000	98,250,000
Per average common share		
Income before extraordinary items	5.20	4.75
Net income	5.88	4.75
Cash flow from consolidated operations	276,635,000	268,422,000
Per average common share	13.90	13.31
Capital expenditures	270,232,000	237,469,000
Working capital	192,609,000	235,085,000
Total assets	$1,859,024,000	$1,784,870,000
Company percentage interest		
In Mission Corporation (direct)	73.49	70.53
In Skelly Oil Company (indirect, through Mission)	52.93	50.29
Minority interest in Mission and Skelly Oil	$ 234,225,000	$ 237,150,000
Common stockholders' equity	1,230,102,000	1,134,994,000
Per share	$ 62.45	$ 56.79

OPERATING	1969			1968		
UNITED STATES AND CANADA	CONSOLIDATED	GETTY OIL AND WHOLLY OWNED SUBSIDIARIES	MISSION AND SKELLY	CONSOLIDATED	GETTY OIL AND WHOLLY OWNED SUBSIDIARIES	MISSION AND SKELLY
Net production, barrels daily						
Crude oil and condensate	270,000	192,000	78,000	264,000	183,000	81,000
Natural gas liquids	29,000	18,000	11,000	26,000	17,000	9,000
Total	299,000	210,000	89,000	290,000	200,000	90,000
Natural gas production, thousand cubic feet daily	1,120,000	716,000	404,000	1,047,000	661,000	386,000
Refinery input, including processing for others, barrels daily	195,000	119,000	76,000	186,000	115,000	71,000
Sales of refined products, barrels daily	219,000	104,000	115,000	210,000	102,000	108,000
OUTSIDE NORTH AMERICA						
Net production of crude oil, barrels daily	89,000	89,000	—	87,000	87,000	—
Refinery input, including processing for others, barrels daily	56,000	56,000	—	58,000	58,000	—
Sales of refined products, barrels daily	45,000	45,000	—	51,000	51,000	—

Powerful drilling rigs probe deep beneath the surface around the clock and around the world as Getty Oil Company continues its constant and costly search for new petroleum reserves. In the past decade the company's consolidated expenditures in petroleum exploration have exceeded $425 million. While the financial risks are great, exploration is imperative to the company's success as it helps to meet the tremendous demands for energy derived from petroleum.

Reference is made to the consolidated financial statements, and to the 10-year consolidated financial and operating statistical statements included in this report, and the accompanying notes attached thereto.

TO THE STOCKHOLDERS:

Getty Oil Company has a substantial direct interest in Mission Corporation and indirect interest in Mission's subsidiary, Skelly Oil Company. During 1969 Getty Oil purchased 101,430 additional shares of Mission on the open market. On December 31 Getty Oil owned 73.49 percent of Mission, which in turn owned 72.03 percent of Skelly Oil, giving Getty Oil a 52.93 percent equity in Skelly. Getty Oil consolidates 100 percent of the financial and operating data of Mission and Skelly Oil in its financial and operating statements. Provision for minority interest in Mission and Skelly Oil is reflected in the consolidated financial statements.

Substantially all of the consolidated gross operating income of Getty Oil is derived from the production and sale of crude petroleum liquids, natural gas, refined petroleum products, and related activities. Consolidated net income includes the profits from these petroleum operations, interest earned on investments, and income from other operations.

CONSOLIDATED NET INCOME AND CASH FLOW

Consolidated net income from the worldwide operations of Getty Oil Company during 1969 amounted to $119,268,000, or $5.88 per share, including $13,507,000, or $.68 per share, in extraordinary items. In comparison 1968 consolidated net income was $98,250,000, or $4.75 per share on a greater number of shares outstanding, with no extraordinary item reported.

Cash flow from consolidated operations in 1969 was $276,635,000, or $13.90 per share, compared with 1968 consolidated cash flow of $268,422,000, or $13.31 per share on a greater number of shares outstanding.

Beginning January 1, 1969, the company instituted accounting policy changes which had the effect of improving 1969 consolidated net income by $9,258,000. These policy changes are explained in detail in Note 3 — Property, Facilities and Equipment, on Page 11.

Of the $13,507,000 reported as extraordinary items, $4,054,000 was a gain from the sale of the stock of Getty Oil Italiana, which operated a refinery at Gaeta, Italy, and $9,453,000, represented the benefits from tax-timing differences between financial accounting and taxable income, in accordance with Opinion 11 of the Accounting Principles Board of the American Institute of Certified Public Accountants.

Consolidated net income from operations in 1969 benefited from higher petroleum production and from increases in domestic crude oil prices. The full impact of improvements from these sources, however, was limited by other operating and cost factors in Getty Oil and Skelly Oil. During the year earnings of Getty Oil, exclusive of Mission and Skelly Oil, were held down by an increase in petroleum exploration expenses, the adverse effects of storm damage in California and Louisiana, the results of generally low tanker charter rates in the international shipping market, increases in costs of labor and materials, and additional taxes. Skelly Oil's 1969 net income, as reported in detail on Page 33, was affected by operating problems at its 50-percent-owned polyethylene plant, the partial shutdown at its refinery during a 52-day strike, lower prices in the liquefied petroleum gas and wood products markets, reduced investment tax credit, and higher interest rates.

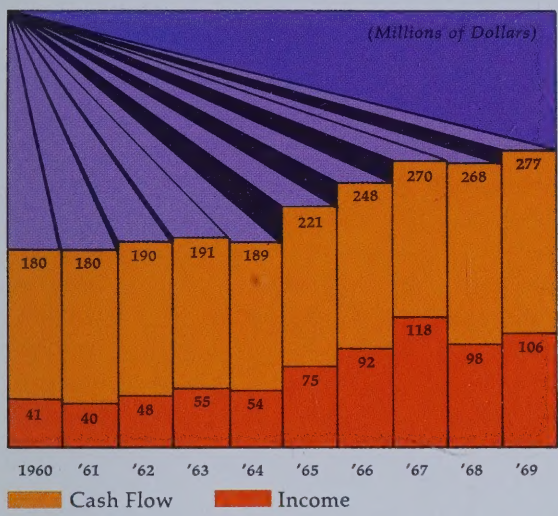
Getty Oil's share of Mission and Skelly Oil earnings amounted to $18,382,000, which is included in 1969 consolidated net income. In 1968 Getty Oil's share of Mission and Skelly Oil earnings was $19,023,000.

Late in 1969 the United States Congress enacted tax legislation which imposed a substantial additional tax burden on the oil industry, principally by reducing the statutory depletion rate and by imposing a minimum tax on specified items. The principal tax changes start in 1970. If the changes had been in effect during 1969, the impact on Getty Oil's consolidated net income for the year would have been a reduction in the magnitude of $8 million, or approximately $.40 per share.

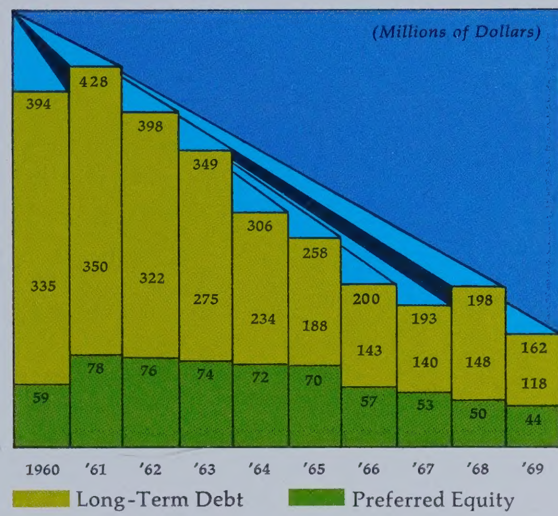
CONSOLIDATED SALES AND OTHER REVENUES

In the first quarter of 1969 crude oil prices increased in the areas of the United States where the companies produce crude petroleum liquids. These increases, combined with higher rates of crude oil production by Getty Oil and greater sales of refined petroleum and chemical products by Skelly Oil, resulted in consolidated

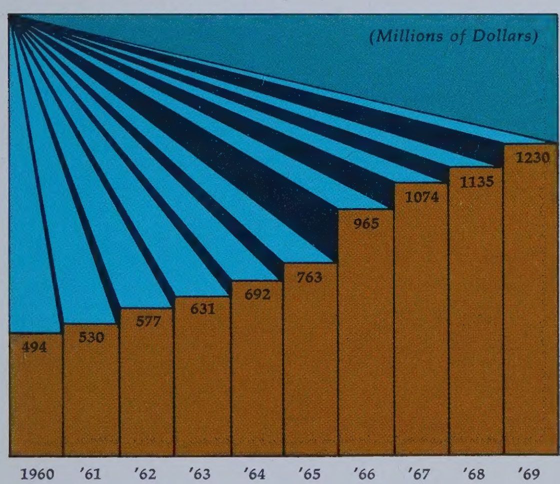
Income Before Extraordinary Items and Cash Flow



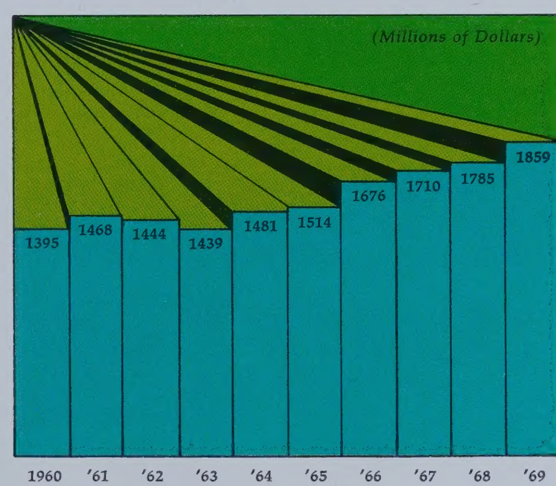
Long-Term Debt Including Current Portion and Preferred Equity



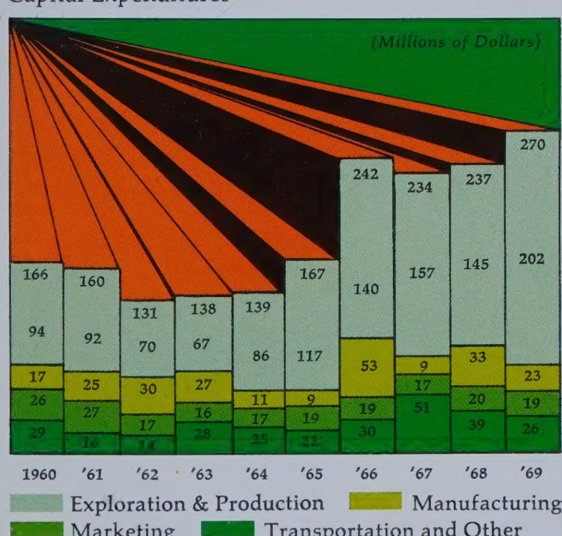
Common Stockholders' Equity



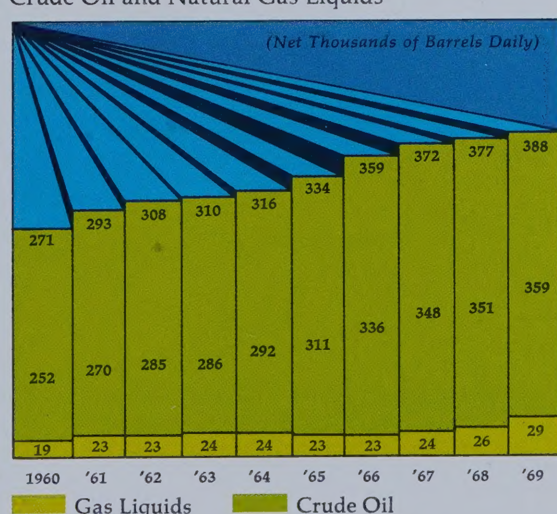
Total Assets



Capital Expenditures



Crude Oil and Natural Gas Liquids



sales and other revenues amounting to a record $1,265,528,000 in 1969, compared with 1968's figure of $1,204,374,000.

CAPITAL EXPENDITURES

The 14 percent increase in consolidated capital expenditures, to $270,232,000 in 1969 over $237,469,000 in 1968, in part reflects the investment by Getty Oil in 18 tracts located in the Prudhoe Bay district of the Alaska North Slope, as reported in detail on Page 24. About 75 percent, or $201,954,000, of the 1969 consolidated capital expenditures was invested in exploration and production operations, compared with 61 percent, or $145,556,000, spent in similar activities in 1968. The remainder of the capital expenditures in both years was primarily spent in marketing, manufacturing and transportation.

TOTAL ASSETS AND STOCKHOLDERS' EQUITY

Continuing its 41-year record of steady growth, the company on December 31, 1969, reported consolidated total assets of $1,859,024,000, an increase of $74,154,000 over the $1,784,870,000 recorded at December 31, 1968. Consolidated common stockholders' equity was increased by $95,108,000 during 1969 and totaled $1,230,102,000 at year end, equal to $62.45 per share. At the end of 1968 consolidated common stockholders' equity was $1,134,994,000, equal to $56.79 per share. During 1969 Getty Oil paid or declared dividends in the amounts of $7,595,000 on the common stock and $2,247,000 on the preferred stock.

LONG-TERM DEBT

Consolidated long-term debt, including current portion, amounted to $117,557,000 at the end of 1969, a reduction of $30,297,000 from the $147,854,000 at the end of 1968. Of these totals, Getty Oil debt was $47,743,000 at the end of 1969, against $56,392,000 at the end of 1968, and Skelly Oil debt was $69,814,000 at the end of 1969, against $91,462,000 at the end of 1968.

CONSOLIDATED PRODUCTION AND EXPLORATION

In 1969 the consolidated net production of the companies consisted of 359,000 barrels per day of crude oil and condensate and 29,000 barrels per day of natural gas liquids, totaling 388,000 barrels per day of crude petroleum liquids. In 1968 consolidated net production consisted of 351,000 barrels per day of crude oil and condensate and 26,000 barrels per day of natural gas liquids, totaling 377,000 barrels per day of crude petroleum liquids. Natural gas liquids statistics for 1968 and previous years have been restated to uniformly represent for Getty Oil and Skelly Oil the net quantity of liquids recovered from their lease interests in wet gas processed, as explained in detail in Footnotes 1 and 2, Page 16.

Consolidated net natural gas production averaged 1,120 million cubic feet per day in 1969, compared with 1968 consolidated net production averaging 1,047 million cubic feet per day.

The companies participated in drilling 299 consolidated net wells in 1969, a decrease from the 734 wells drilled in 1968, a year of intensive thermal-recovery well drilling in Getty Oil's Western Division. Of the 1969 net wells drilled, 248 were oil or gas producers and 51 were dry holes, for a success ratio of 83 percent.

CONSOLIDATED MANUFACTURING AND MARKETING

Refineries of the companies, not including gas processing plants, processed a consolidated 251,000 barrels per day in 1969. Included in this figure are the statistics for the crude oil processed by Getty Oil Italiana during the 10 months prior to the sale of its stock, effective October 30, 1969. In 1968 consolidated refinery throughput was 244,000 barrels per day, including Getty Oil Italiana processing for the full year. In 1969 consolidated sales of refined petroleum products were 264,000 barrels per day including Getty Oil Italiana prior to the sale, compared with 261,000 barrels per day in 1968.

TORONTO STOCK EXCHANGE LISTING

Getty Oil Company's common stock was listed for trading on the Toronto Stock Exchange in March, 1970.

By Order of the Board of Directors
March 6, 1970

George F. Getty II
Executive Vice President and
Chief Operating Officer

J. Paul Getty
President

Consolidated Statement of Income

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1969	1968
REVENUES		
Sales, including excise taxes, and other operating revenues—*Note 8*	$1,239,549,000	$1,179,154,000
Dividends, interest and other income	25,063,000	20,527,000
Gain on sale of assets	916,000	4,693,000
	1,265,528,000	1,204,374,000
COSTS AND EXPENSES		
Crude oil, products and merchandise costs and operating expenses	706,208,000	673,358,000
Exploration and dry hole costs and undeveloped lease amortization	52,112,000	49,496,000
Selling, general and administrative expenses	96,902,000	94,223,000
Taxes, including income taxes—*Note 8*	167,499,000	143,767,000
Depreciation and depletion	108,786,000	117,360,000
Interest on indebtedness	9,834,000	8,113,000
	1,141,341,000	1,086,317,000
INCOME BEFORE MINORITY INTEREST AND EXTRAORDINARY ITEMS	124,187,000	118,057,000
Less minority interest in income of consolidated subsidiaries—*Note 1*	(18,426,000)	(19,807,000)
INCOME BEFORE EXTRAORDINARY ITEMS	105,761,000	98,250,000
Extraordinary items—*Note 2*	13,507,000	—
NET INCOME	$ 119,268,000	$ 98,250,000
INCOME PER AVERAGE COMMON SHARE		
Income before extraordinary items	$ 5.20	$ 4.75
Extraordinary items	.68	—
Net income	$ 5.88	$ 4.75

The accompanying notes are an integral part of this statement.

Consolidated Statement of Source and Disposition of Funds

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1969	1968
SOURCE		
Income before minority interest and extraordinary items	$124,187,000	$118,057,000
Depreciation and depletion	108,786,000	117,360,000
Amortization of undeveloped leases and dry hole costs	35,747,000	33,005,000
Reduction in income taxes otherwise payable—*Note 8*	7,915,000	—
Cash flow from consolidated operations	276,635,000	268,422,000
Decrease in working capital	42,476,000	9,094,000
Property sales and retirements, net, including certain extraordinary items—*Notes 2 and 3*	39,314,000	11,020,000
Increase in deferred income and noncurrent reserves—*Note 5*	2,743,000	3,035,000
	$361,168,000	$291,571,000
DISPOSITION		
Capital expenditures, including dry hole costs	$270,232,000	$237,469,000
Increase (decrease) in investments in subsidiaries and affiliates and long-term receivables	26,375,000	(15,854,000)
Net reduction of long-term debt—*Note 4*	11,052,000	15,168,000
Purchase of preferred stock and common minority interest	38,144,000	31,953,000
Cash dividends paid or declared		
Preferred stockholders	2,247,000	2,428,000
Common stockholders	7,595,000	14,544,000
Minority stockholders of consolidated subsidiaries	5,523,000	5,863,000
	$361,168,000	$291,571,000

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

ASSETS

	December 31 1969	December 31 1968
CURRENT ASSETS		
Cash	$ 25,100,000	$ 40,589,000
Marketable securities, at cost, which approximates market	81,232,000	111,278,000
Notes and accounts receivable, less reserves	181,813,000	183,749,000
Inventories, at or below cost		
Crude oil, refined and other products (principally last-in, first-out)	62,613,000	63,589,000
Materials and supplies	21,600,000	22,745,000
Other current assets	18,719,000	15,498,000
Total current assets	391,077,000	437,448,000
INVESTMENTS AND ADVANCES—*Note 1*	63,069,000	67,138,000
LONG-TERM RECEIVABLES	83,548,000	85,367,000
PROPERTY, FACILITIES AND EQUIPMENT, at cost, less accumulated depreciation, depletion and amortization—*Note 3*	1,321,330,000	1,194,917,000
	$1,859,024,000	$1,784,870,000

LIABILITIES AND STOCKHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES		
Current portion of long-term debt	$ 12,919,000	$ 32,164,000
Notes payable	19,633,000	15,257,000
Accounts payable and accrued liabilities	144,176,000	142,176,000
Income taxes	21,740,000	12,766,000
Total current liabilities	198,468,000	202,363,000
LONG-TERM DEBT—*Note 4*	104,638,000	115,690,000
DEFERRED INCOME AND NONCURRENT RESERVES—*Note 5*	47,841,000	45,098,000
Total liabilities	350,947,000	363,151,000
MINORITY INTEREST IN SUBSIDIARIES—*Note 1*	234,225,000	237,150,000
STOCKHOLDERS' EQUITY—*Note 6*		
Preferred	43,750,000	49,575,000
Common	1,230,102,000	1,134,994,000
Total stockholders' equity	1,273,852,000	1,184,569,000
	$1,859,024,000	$1,784,870,000

The accompanying notes are an integral part of this statement.

Consolidated Statement of Stockholders' Equity

	1969 Shares	1969 Amount	1968 Shares	1968 Amount
PREFERRED STOCKHOLDERS' EQUITY —*Note 6*				
Authorized preferred stock, $1.20 cumulative, $25 par value	2,679,083		2,679,083	
Issued at beginning of year	2,597,249	$ 64,931,000	2,679,083	$ 66,977,000
Treasury stock retired under issue provisions	(81,834)	(2,046,000)	(81,834)	(2,046,000)
	2,515,415	62,885,000	2,597,249	64,931,000
Stock held in treasury, at par value	(765,415)	(19,135,000)	(614,249)	(15,356,000)
Preferred stockholders' equity	1,750,000	$ 43,750,000	1,983,000	$ 49,575,000
COMMON STOCKHOLDERS' EQUITY —*Note 6*				
Authorized common stock, $4 par value	22,000,000		22,000,000	
Issued at beginning of year	20,221,848	$ 80,888,000	20,221,374	$ 80,886,000
Issued under stock options	—	—	474	2,000
Balance at end of year	20,221,848	80,888,000	20,221,848	80,888,000
Capital in excess of par value of capital stock				
Balance at beginning of year		69,610,000		69,022,000
Excess of proceeds over par value of stock issued under options		—		9,000
Excess of par value over cost of preferred stock purchased		1,525,000		579,000
Balance at end of year		71,135,000		69,610,000
Retained earnings reinvested				
Balance at beginning of year		1,005,499,000		924,221,000
Net income for the year		119,268,000		98,250,000
Cash dividends				
Preferred stock, $1.20 per share		(2,247,000)		(2,428,000)
Common stock, 1969, $.38 per share; 1968, $.72 per share		(7,595,000)		(14,544,000)
Balance at end of year		1,114,925,000		1,005,499,000
Stock held in treasury, at cost	(524,548)	(36,846,000)	(236,848)	(21,003,000)
Common stockholders' equity	19,697,300	$1,230,102,000	19,985,000	$1,134,994,000

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

NOTE 1 — Principles of Consolidation

The accounts of all domestic and foreign wholly owned subsidiaries and those of the majority owned subsidiary, Mission Corporation, and that company's subsidiary, Skelly Oil Company, have been consolidated in the accompanying financial statements. On December 31, 1969, the company owned a 73.49 percent interest in Mission Corporation and that company in turn owned a 72.03 percent interest in Skelly Oil Company, resulting in a 52.93 percent equity of Getty Oil in Skelly; the comparable equity interests on December 31, 1968, were, respectively, 70.53 percent, 71.31 percent and 50.29 percent. The consolidated balance sheet of Getty Oil accordingly includes the accounts of Mission and Skelly, as follows:

	December 31 1969	December 31 1968
Skelly		
Current assets	$119,669,000	$119,478,000
Investments, long-term receivables, and other assets	35,721,000	30,407,000
Property, facilities and equipment	492,536,000	485,904,000
Total assets	647,926,000	635,789,000
Current liabilities	74,422,000	81,296,000
Long-term debt	60,532,000	66,282,000
Deferred income and deferred liabilities	17,248,000	12,388,000
Total liabilities	152,202,000	159,966,000
Net assets of Skelly	495,724,000	475,823,000
Mission		
Net assets, other than its interest in Skelly	1,085,000	963,000
Total net assets of Mission and Skelly	$496,809,000	$476,786,000

The equity of the minority stockholders of Mission and Skelly in the net assets of these companies was $234,225,000 on December 31, 1969, and $237,150,000 on December 31, 1968; these amounts appear in the consolidated balance sheet on Page 9. The consolidated statement of income on Page 7 includes all of the revenues, costs and expenses of Mission and Skelly. The interest therein of the minority stockholders of Mission and Skelly ($18,426,000 for 1969 and $19,807,000 for 1968) has been deducted in arriving at the amount shown as net income.

The company's equity in the net assets of all of its consolidated subsidiaries exceeded the cost of its investment by $232,900,000 on December 31, 1969. This is a net amount of which $249,500,000, representing the share in the subsidiaries' earnings since dates of acquisition, has been credited in consolidation to retained earnings; the balance of $16,600,000 representing the excess of cost over underlying book value of the investments at dates of acquisition, less amortization to date, has been charged to property, facilities and equipment. The company's investment in Vangas, Inc., a 71.19-percent-owned subsidiary, has been adjusted to include its share of earnings retained by that company. Also included in the consolidated financial statements is the 50 percent interest of Skelly in the assets, liabilities and operations of an unincorporated joint venture.

Net foreign assets at the end of 1969 were $206,700,000 and net foreign income for 1969 was $7,400,000. Comparable income for 1968 was $11,000,000. Foreign subsidiaries' accounts reflected in the financial statements are expressed in United States dollars as follows: current assets and liabilities at the prevailing rates of exchange on December 31, 1969; investments and fixed assets at rates in effect when the assets were acquired; and the income accounts at the average rates of exchange during the year, except for depreciation charges which are calculated at rates in effect when the assets were acquired. The resulting gains or losses upon revaluation and conversion of foreign currencies are not significant and are included in net income.

Investments and advances included in net foreign assets above include a 49.7 percent interest in Mitsubishi Oil Company, a refiner and marketer of petroleum products in Japan. The company's equity at the end of 1969 in the net assets of Mitsubishi was approximately $8,521,000 in excess of the carrying value of its investment of $12,490,000. The company's share of the 1969 net income of Mitsubishi was approximately $1,347,000 as compared with dividends received of $1,104,000.

NOTE 2 — Extraordinary Items

Extraordinary items included in net income in 1969 are as follows:

Gain on sale of stock of Italian subsidiary, less allocable income taxes of $1,538,000	$ 4,054,000
Reduction in income taxes otherwise payable	9,453,000
	$13,507,000

The reduction in income taxes otherwise payable is caused by an excess of tax deductions over deductions reported for financial accounting purposes and represents the realization of tax benefits relating to charges against income reported in prior years for which no tax benefits were then recognized because of the uncertainty of realization.

NOTE 3 — Property, Facilities and Equipment

The segregation of property, facilities and equipment on December 31, 1969, by major operating function is as follows:

	Gross Investment	Reserves	Net Investment
Exploration and production	$1,739,661,000	$ 967,386,000	$ 772,275,000
Transportation	198,737,000	99,287,000	99,450,000
Manufacturing	403,480,000	203,973,000	199,507,000
Marketing	230,867,000	98,322,000	132,545,000
Natural gasoline plants	135,573,000	66,617,000	68,956,000
Other	76,944,000	28,347,000	48,597,000
Total	$2,785,262,000	$1,463,932,000	$1,321,330,000

The net investment in undeveloped oil and gas properties and leaseholds included above is $153,133,000. The costs of undeveloped leaseholds are amortized over the terms of the leases on a basis to provide, based on company experience, for abandonment of those which may be unproductive.

Depreciation and depletion of the cost of developed oil and gas properties, including intangible drilling costs which are capitalized, are provided on a unit-of-production basis. Effective January 1, 1969, the method of charging depreciation and depletion was changed from the previous individual-property basis to an operating-district basis, resulting

in annual charges more closely related to the ratio of actual production to estimated available reserves. Also, under this depreciation and depletion method, the cost of individual property units abandoned or otherwise disposed of, less any proceeds, is now charged to the reserve accounts. Exploration costs and dry hole losses are substantially charged currently to income, except that, commencing January 1, 1969, geophysical costs on leases acquired as the result of petroleum exploration programs are being capitalized and amortized over the related lease terms, or, where leases are productive, on a unit-of-production basis.

The foregoing changes in accounting policies have had the effect of improving 1969 consolidated net income by approximately $9,258,000. Of the income tax charges relating to this amount, $4,554,000 has been offset by a like amount of tax reduction reported as extraordinary items (see Notes 2 and 8).

It is not practicable to summarize depreciation and amortization rates (which are generally applied on a straight-line basis) applicable to other assets because of the variety of properties and numerous rates used. These rates are reviewed annually and are revised as deemed necessary.

Except for oil and gas properties mentioned above, the cost of properties retired or otherwise disposed of is removed from the property accounts. Gains or losses on disposition of complete units are reflected currently in income; however, if material, such gains or losses are classified as extraordinary items. Gains or losses on disposition or retirement of minor facilities or partial units are treated as adjustments of the reserve accounts. Replacement costs of major portions of facilities and all betterments are capitalized. Expenditures for maintenance, repairs and minor replacements are charged currently to operating expenses.

NOTE 4—Long-term Debt

Long-term debt on December 31, 1969 and 1968, consisted of the following obligations:

	1969	1968
Getty Oil Company		
Sinking fund debentures, 3½%, due April 1, 1986, net of $28,687,000 of debentures held in treasury on December 31, 1969, which are being used to satisfy semiannual sinking fund requirements of $1,250,000 beginning in October, 1969	$ 20,063,000	$ 29,511,000
Tanker financing notes, 3⅝ to 5%, payable in monthly and quarterly installments over 5 to 11 years	14,533,000	16,622,000
Plant financing notes, 5½%, payable semiannually over 6 years	6,791,000	—
Other	2,719,000	3,275,000
	44,106,000	49,408,000
Skelly Oil Company		
Industrial revenue bonds, 3.8 to 5.5%, due 1971 to 1998	42,857,000	43,965,000
Notes payable, 6 to 8½%, due 1971	17,300,000	16,800,000
Other	375,000	5,517,000
	60,532,000	66,282,000
Total	$104,638,000	$115,690,000

Indebtedness maturing within one year, amounting to $12,919,000 on December 31, 1969, and $32,164,000 on December 31, 1968, has been included in current liabilities.

NOTE 5—Deferred Income and Noncurrent Reserves

	December 31 1969	1968
Sales of future oil production	$ 8,261,000	$14,191,000
Gain on sale of hotel property	10,467,000	10,467,000
Noncurrent reserves and other deferred income	29,113,000	20,440,000
Total	$47,841,000	$45,098,000

It is anticipated that the future oil production sold will be substantially produced during 1970 and will be recorded in income as produced.

The gain on the sale of the hotel property is recorded on the installment basis as payments on the principal are received; payments on principal have been waived until at least 1974.

NOTE 6—Capital Stock

Under the sinking fund provisions of the preferred stock issue, the company is required to redeem 40,917 shares of its $25 par value stock on each January 10 and July 10. The sinking fund provisions may be satisfied from treasury stock previously purchased on the open market and, accordingly, 81,834 treasury shares were retired during 1969.

The preferred stock issue contains provisions which restrict the payment of cash dividends on common stock and the purchase or redemption of such stock. On December 31, 1969, approximately $185,000,000 of consolidated retained earnings were restricted under these provisions.

Under the terms of the Skelly Oil Company Restricted Stock Option Plan for Officers and Other Key Employees, options may be granted until October 18, 1970, for 20,000 shares at prices not less than their fair market value on the date the options are granted. During 1969 no options were granted, but options for 3,825 shares previously granted were exercised at prices ranging from $22.80 to $28.80 per share (an aggregate of $102,960) and options for 1,000 shares expired. An option for 50 shares is exercisable at a price of $24.00 per share and will expire in 1971.

NOTE 7—Pensions

The companies have several pension and retirement plans which provide for the funding of the costs of prior and current service through trust funds. The total pension expense was $7,935,000 in 1969 and $9,023,000 in 1968, which includes amortization of prior service costs over periods ranging from 10 to 30 years or, as to one of the plans, over the average future service lives of the covered employees. The plans are entirely voluntary and may be modified or discontinued at any time by the companies. The assets of the pension funds as of December 31, 1969, are sufficient to cover the actuarially computed value of vested benefits under the plans.

NOTE 8 — Taxes, Including Income Taxes

	1969	1968
Operating taxes		
Property	$ 18,227,000	$ 16,796,000
Severance and production	14,736,000	14,032,000
Payroll and other	5,772,000	5,008,000
	38,735,000	35,836,000
Excise taxes	99,703,000	93,383,000
Income taxes		
Federal and state		
Current	23,331,000	6,874,000
Deferred	2,370,000	5,108,000
Investment tax credit	(4,898,000)	(5,270,000)
Foreign	8,258,000	7,836,000
	29,061,000	14,548,000
Total	$167,499,000	$143,767,000

Excise taxes collected have been included in sales and other operating revenues. Provision is made for applicable taxes on dividends, including those from subsidiaries, as received.

Offsetting the charges for current income taxes shown above is $7,915,000 included in the extraordinary items, which represents the reduction in income taxes otherwise payable caused by an excess of tax deductions over deductions reported for financial accounting purposes (see Note 2), including $4,554,000 of tax benefits relating to the accounting policy changes described in Note 3.

NOTE 9 — Litigation

The United States, through the Department of Justice, filed suit in 1966 under the antitrust laws to block the sale of the former Tidewater's western marketing and manufacturing assets and certain related transportation facilities to Phillips Petroleum Company. The sale was completed following the U. S. District Court's denial of the Department of Justice's motion for a temporary restraining order. Subsequently a motion for a preliminary injunction by the Department of Justice was also denied. The department has stated that it intends to press the case. No trial date has been set.

The previously reported proposal to the Federal Power Commission relating to the modification of the terms and settlement of the 1961 sale of certain federal leases in the Ship Shoal Block, offshore Louisiana, was accepted during 1969 as proposed.

NOTE 10 — Commitments and Contingent Liabilities

Minimum annual rentals under long-term leases, principally for the crude oil pipeline in California, tankers and service stations, but excluding oil and gas leases, are estimated to be $28,300,000 in 1970. The net fixed annual rentals on these leases are not expected to differ significantly through 1972.

There are contingent liabilities with respect to other pending litigation, claims, commitments, etc., the settlement of which will not, in the opinion of the companies concerned, result in any material loss.

Auditors' Report

ARTHUR ANDERSEN & CO.

To the Stockholders and Board of Directors,
Getty Oil Company:

We have examined the consolidated balance sheet of Getty Oil Company (a Delaware corporation) and subsidiaries as of December 31, 1969 and 1968, and the related statements of income, stockholders' equity, and source and disposition of funds for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the above mentioned financial statements present fairly the consolidated financial position of Getty Oil Company and subsidiaries as of December 31, 1969 and 1968, and the results of their operations and the source and disposition of funds for the years then ended, in conformity with generally accepted accounting principles applied, except for the accounting changes described in Note 3, which we approve, on a consistent basis.

Arthur Andersen & Co.

Los Angeles, California,
February 13, 1970.

Ten-Year Consolidated Financial Statistics

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company (Dollar amounts in thousands except per share amounts)

	1969	1968	1967
FINANCIAL			
Sales and other revenues (including excise taxes)	$ 1,265,528	$ 1,204,374	$ 1,165,388
Income before extraordinary items(1)	105,761	98,250	118,166
Per average common share(2)	5.20	4.75	5.72
Net income(1)	119,268	98,250	118,166
Per average common share(2)	5.88	4.75	5.72
Cash flow from consolidated operations	276,635	268,422	269,885
Per average common share(2)	13.90	13.31	13.36
Net working capital	192,609	235,085	244,179
Current ratio	1.97 to 1	2.16 to 1	2.34 to 1
Property, facilities and equipment, net	1,321,330	1,194,917	1,115,248
Capital expenditures			
Exploration and production	201,954	145,556	157,033
Manufacturing	22,730	33,110	9,190
Marketing	19,388	19,612	16,331
Transportation, natural gasoline plants and other	26,160	39,191	51,011
Total	270,232	237,469	233,565
Total assets	1,859,024	1,784,870	1,709,917
Long-term debt, including current portion	117,557	147,854	139,713
Company percentage interest in			
Mission Corporation (direct)	73.49	70.53	69.72
Skelly Oil Company (indirect, through Mission)	52.93	50.29	49.51
Minority interest in Mission Corporation and Skelly Oil Company	234,225	237,150	228,326
STOCKHOLDERS			
Preferred stockholders			
Number of stockholders	7,275	7,207	7,085
Shares outstanding(3)	1,750,000	1,983,000	2,114.014
Stockholders' equity, $25 per share	43,750	49,575	52,850
Cash dividends	2,247	2,428	2,571
Common stockholders			
Number of stockholders	21,555	21,138	21,205
Shares outstanding(3)	19,697,300	19,985,000	20,199,526
Stockholders' equity			
Amount	1,230,102	1,134,994	1,073,689
Per share(3)	62.45	56.79	53.15
Cash dividends	7,595	14,544	1,598(4

(1) Years prior to 1968 adjusted for minority interests in Tidewater (merged in 1967) not accounted for on a pooling of interests basis.

(2) Based on the weighted average number of shares outstanding during each year, giving effect to the pooling of interests in 1967 and adjusted for stock dividends.

1966	1965	1964	1963	1962	1961	1960
$ 1,236,424	$ 1,200,182	$ 1,145,718	$ 1,118,828	$ 1,100,479	$ 1,063,066	$ 1,021,814
92,278	74,815	54,058	55,018	47,824	39,644	40,595
4.42	3.53	2.50	2.55	2.19	1.78	1.87
206,918	75,996	65,977	58,927	50,951	39,644	42,056
10.09	3.59	3.09	2.74	2.34	1.78	1.94
248,143	220,848	189,106	191,354	189,653	179,841	179,654
12.28	10.93	9.36	9.47	9.39	8.90	8.89
230,028	180,195	204,380	183,212	151,867	168,174	163,599
1.95 to 1	2.06 to 1	2.37 to 1	2.27 to 1	1.90 to 1	1.98 to 1	2.13 to 1
1,019,826	1,088,375	1,051,563	1,042,436	1,052,689	1,061,199	1,043,691
140,301	116,951	86,269	67,691	70,093	91,866	94,296
53,553	9,713	11,378	27,068	29,999	25,404	16,947
18,969	18,924	16,676	15,947	17,035	27,091	25,965
29,531	21,744	24,651	27,827	13,739	15,924	28,635
242,354	167,332	138,974	138,533	130,866	160,285	165,843
1,675,903	1,514,436	1,480,842	1,439,497	1,444,222	1,467,834	1,394,893
142,700	187,876	234,448	274,846	322,351	349,928	335,233
64.77	61.70	58.84	56.54	55.71	53.33	52.11
46.04	43.39	41.22	39.12	36.02	32.92	31.45
229,730	283,463	279,150	277,963	309,966	337,492	371,076
8,050	8,673	9,247	10,145	10,209	10,659	7,443
2,270,048	2,804,515	2,894,560	2,975,594	3,026,689	3,100,789	2,371,108
56,756	70,113	72,364	74,390	75,667	77,520	59,278
3,008	3,396	3,497	3,595	3,665	3,754	2,889
Not applicable due to merger						
20,201,149	20,201,149	20,201,149	20,201,149	20,201,149	20,204,149	20,204,149
965,114	762,802	691,800	630,918	577,184	529,937	494,047
47.78	37.76	34.25	31.23	28.57	26.23	24.45
1,598	1,598	1,598	1,598	—	—	—

(3) Represents or based on the number of shares outstanding at each year end, giving effect to the pooling of interests in 1967.

(4) Excludes cash dividends of $5,322,000 paid to common minority stockholders of subsidiaries merged in 1967.

Ten-Year Consolidated Operating Statistics

Including Getty Oil Company and wholly owned subsidiaries, and 100 percent of Mission Corporation and Skelly Oil Company

	1969	1968	1967
EMPLOYEES			
Number of employees	13,277	13,227	13,047
Wages, salaries and benefits, thousands of dollars	128,648	121,020	110,699
EXPLORATION AND PRODUCTION			
Net daily production			
Crude oil and condensate, barrels(1)	358,866	351,026	347,650
Natural gas liquids, barrels(2)	29,299	25,977	24,358
Total	388,165	377,003	372,008
Natural gas, thousand cubic feet	1,119,924	1,046,936	972,022
Net proved reserves(3)			
Crude oil and condensate, consolidated, thousands of barrels(1)	2,908,000	2,935,000	—
Crude oil and condensate, Getty Oil and wholly owned subsidiaries, thousands of barrels(1)	—	—	2,547,000
Natural gas liquids, consolidated, thousands of barrels(2)	85,000	96,000	—
Natural gas liquids, Getty Oil and wholly owned subsidiaries, thousands of barrels(2)	—	—	60,000
Total	2,993,000	3,031,000	2,607,000
Natural gas, consolidated, billion cubic feet	5,334	5,323	—
Natural gas, Getty Oil and wholly owned subsidiaries, billion cubic feet	—	—	3,403
Net producing wells owned	12,948	13,161	13,209
Net wells drilled			
Producing	248	644	532
Dry	51	90	92
Total	299	734	624
Net acreage holdings			
Producing	1,340,000	1,219,000	1,187,000
Prospective			
Oil and gas	10,584,000	4,343,000	3,308,000
Minerals	517,000	424,000	357,000
Total	11,101,000	4,767,000	3,665,000
Sales			
Crude oil and condensate, barrels daily(1)	509,331	465,497	489,861
Natural gas, thousand cubic feet daily	1,110,982	1,072,790	1,000,058
MANUFACTURING			
Refinery input, barrels daily			
For own account	205,676	205,039	209,512
For others	45,275	38,848	38,707
Gas processing, net (4)			
Natural gas liquids recovered, barrels daily	53,762	50,971	39,998
Natural gas liquids reserves recoverable from plant interests, thousands of barrels	203,000	213,000	—
MARKETING			
Sales of petroleum products, barrels daily	263,692	260,729	259,641
Bulk plants and terminals, owned or leased	748	759	769
Service stations, owned or leased	2,341	2,335	2,307

(1) Crude oil includes condensate. Getty Oil and wholly owned subsidiaries in prior reports included condensate in natural gas liquids.

(2) Natural gas liquids production volumes for the 10-year period have been revised to represent net quantity of liquids recovered from the company's lease interest in wet gas delivered for processing. No reduction has been made in such quantities for the portion retained by gas processing plants for extraction of liquids. In 1969, the natural gas liquids reserves have been reported, and the 1968 reserves restated, on the same basis. Reported reserves for the prior years generally excluded the volumes to be retained by the processor.

(3) Net proved reserve estimates are principally those of DeGolyer & McNaughton, with minor amounts in 1965 and prior years included based upon estimates of company engineers. Worldwide reserves of the company have been restated from reserves as previously reported to reflect on a uniform basis such reserves before deduction for varying net profits interest and to include the

1966	1965	1964	1963	1962	1961	1960
13,074	14,840	14,703	14,732	15,056	15,258	15,584
121,176	122,043	118,785	118,324	117,264	118,417	112,171
336,196	310,691	291,943	286,473	284,614	269,520	251,753
22,949	23,190	23,613	23,275	23,666	23,308	19,337
359,145	333,881	315,556	309,748	308,280	292,828	271,090
896,232	860,267	826,682	776,240	718,209	706,090	716,434
—	—	—	—	—	—	—
2,436,000	2,285,000	1,681,000	1,514,000	1,453,000	1,574,000	1,556,000
—	—	—	—	—	—	—
60,000	46,000	46,000	43,000	46,000	48,000	44,000
2,496,000	2,331,000	1,727,000	1,557,000	1,499,000	1,622,000	1,600,000
—	—	—	—	—	—	—
3,368	3,194	3,259	3,284	3,411	3,569	3,527
13,172	13,023	12,575	12,159	12,222	12,292	11,750
519	347	324	361	328	387	581
88	88	84	77	89	79	89
607	435	408	438	417	466	670
1,156,000	1,129,000	1,077,000	1,064,000	1,008,000	1,019,000	983,000
3,932,000	4,281,000	4,492,000	5,410,000	6,669,000	7,204,000	7,784,000
219,000	109,000	186,000	2,155,000	13,000	4,000	3,000
4,151,000	4,390,000	4,678,000	7,565,000	6,682,000	7,208,000	7,787,000
425,063	348,546	306,676	279,933	260,462	230,588	211,223
925,499	893,534	865,128	821,488	758,279	730,614	732,440
272,734	304,840	311,995	318,577	339,962	360,026	338,207
37,318	34,052	27,536	40,860	42,959	8,033	4,290
37,666	37,741	36,527	35,677	35,072	35,127	30,022
—	—	—	—	—	—	—
321,887	347,437	349,007	343,807	358,032	374,358	327,857
765	995	997	992	999	1,002	980
2,618	4,717	4,846	4,982	4,977	5,003	4,798

share of reserves of the Iranian Consortium not previously reported. Skelly Oil Company reserve estimates prior to 1968 on a comparable basis are not available.

(4) *Gas processing data relate to plants in which the company has a proprietary interest. Data given represents the plant production and natural gas liquids reserves committed to the plant multiplied by the company plant ownership interest. Reserve estimates prior to 1968 on a comparable basis are not available. These plants extract natural gas liquids from proprietary lease production and from gas which is committed to the plants under contracts of varying terms with other gas producers. The contracts with other gas producers typically allocate 25 to 50 percent of the liquids to the interest of the producers. Neither the reported production nor the reserves have been reduced for the portion allocable to the producer of the gas under the terms of the purchase contracts. Only a minor portion of these reserves are recoverable from company lease interests. The portion of net daily production and net proved reserves attributed to proprietary lease interests is also included in the Exploration and Production category above.*

Sterling
Getty Oil Co
Gold Standard
KERN RIVER FIEL
SCALE: 1" = 1000'
Aztec
Bald Eagle
35
T. 28 S.
Mecca
Getty Oil Co
San Joaquin
2
Knob Hill
Apollo
Getty Oil Co.
Cortez
Getty Oil Co
Sovereign
Luck
T. 28 S.
Linda Vista
Toltec
RIVER
Famosa
20
5
16
4
8
14
19

This is the San Joaquin Valley in California. The Kern River oilfield is transformed from its appearance a decade ago. It stands today as it was envisioned at the beginning of the 1960's by men who knew they could apply the miracles of technological innovation to one of the oldest and potentially most prolific, yet stubbornly least productive, fields in the country.

Today advanced oilfield technology is closely and continuously monitored by a computer, while men are free to concentrate on efficiently developing new increments of production. Steam displacement operations, reusing freshly purified water from the producing formations, heats the heavy, viscous crude oil and moves it toward the producing wells. Simultaneously, still another value is added nearby as arable surface acreage owned by the company undergoes a transition into profitable agricultural tracts in a broad real estate development program.

PRODUCTION

In 1969, for the 11th consecutive year, worldwide production of crude petroleum liquids by Getty Oil Company reached record high levels. Total liquids production in 1969 increased 4.2 percent over 1968.

WORLDWIDE NET DAILY LIQUIDS PRODUCTION

	1969	1968
Crude oil and condensate, barrels	281,000	270,000
Natural gas liquids, barrels	18,000	17,000
Total petroleum liquids, barrels	299,000	287,000

The worldwide statistics principally reflect the high level of liquids production achieved in the United States during 1969, to a large degree the result of vigorously applied technical capability on the part of production and exploration personnel. Crude oil and condensate and natural gas liquids statistics have been restated, as explained in detail in Footnotes 1 and 2, Page 16.

NET DAILY LIQUIDS PRODUCTION UNITED STATES AND CANADA

	1969	1968
Crude oil and condensate, barrels	192,000	183,000
Natural gas liquids, barrels	18,000	17,000
Total petroleum liquids, barrels	210,000	200,000

The abilities of the company's technical and operating personnel to achieve higher producing levels in existing oil and gas fields, mainly through advanced secondary recovery methods, again in 1969 was a singularly effective factor in attaining record production. In addition significant new net production of oil and gas was developed during the year following discoveries in five onshore and offshore regions of the midcontinent United States and one area in California.

Natural gas production in the United States increased in 1969 for the 19th consecutive year. The company does not have marketable natural gas production in its international operations.

NET DAILY GAS PRODUCTION UNITED STATES AND CANADA

	1969	1968
Natural gas, million cubic feet	716	661

Getty Oil Company participated in the completions of 205.07 net oil and gas wells in 1969. The Mid-Continent Division completed 64.63 net oil wells and the Western Division completed 119.33 net oil wells, for a total of 183.96 net oil wells. In the Mid-Continent Division, 20.11 net gas wells were completed and in the Western Division one net gas well was completed for a total of 21.11 net gas wells. The company participated in the drilling of 36.94 net holes abandoned as commercially not productive — 31.41 in the Mid-Continent Division, 4.55 in the Western Division and .98 in Algeria.

Mid-Continent Division total liquids production reached a record high of 116,796 net barrels per day in 1969 and natural gas production averaged 676.7 million cubic feet per day, also a new high. Operations of the division, based in Houston, Texas, range from the Gulf of Mexico off Texas and Louisiana, through 14 midcontinent and Rocky Mountain states, and into Canada and Alaska.

The division's most important primary development activities in 1969 centered in the East Nancy and Pachuta Creek fields of Clarke County, Mississippi, where Getty Oil has been a leading participant since the discovery of significant Smackover formation crude oil accumulations in 1968.

Deeper drilling into the Basal Smackover

sands of the East Nancy field in May, 1969, located an additional oil pay zone and resulted in the dual completion of four previously productive Smackover wells. In addition one new well was drilled into the deeper structure for a single completion. At year end Getty Oil participated in 11 wells in this field and, with an average 25 percent working interest, was producing 1,100 barrels per day of crude oil.

Nearby in the Pachuta Creek field, where 14 development wells were drilled in 1969, the company at year end participated in a total of 32 Smackover formation completions with an average 20 percent working interest and net crude oil production of 1,500 barrels per day.

Western Division crude liquids production in 1969 was 93,865 net barrels per day, an alltime high. Natural gas production averaged 38.2 million cubic feet per day in 1969. Based in Los Angeles, the division has extensive petroleum operations in California and participates in minerals operations throughout the west.

SECONDARY RECOVERY PROGRAMS

The company's superior capabilities in secondary recovery techniques continued to bring profitable returns in 1969.

To gain maximum benefit from producing fields, existing waterflood and gas repressurization, *in situ* combustion and steam displacement projects were expanded in 1969 and positive steps were taken to initiate additional projects.

The Mid-Continent Division had substantial investments in 206 active secondary recovery or pressure maintenance projects in 1969 and was serving as operator of 86.

The successful *in situ* combustion, or fireflood, project at the Bellevue field of Bossier Parish, Louisiana, was expanded into its second phase late in 1969. An additional 22 air-injection and producing wells were drilled on a 10-acre site adjacent to the fully operational first-phase section of the field. At year end, engineers were preparing to ignite the oil in place and inject the air necessary for the combustion to heat the formation and stimulate production.

Elsewhere in 1969, waterflood projects in the company's midcontinent producing areas continued to respond very favorably to stimulation. In the South Keensburg unit of Wabash County, Illinois, response to water injection initiated late in 1968 occurred by April, 1969. At year end the production from this 904-acre unit exceeded 1,000 barrels per day of crude oil.

Phase I of the 5,575-acre East Eumont unit waterflood in Lea County, New Mexico, was producing 850 barrels of crude oil per day at the close of 1969, an increase of 800 barrels per day over production prior to the waterflood program. Phase II of this project, involving 46 injection wells and 53 producing wells, was completed and put into operation late in 1969.

Continued development of seven Getty Oil-operated waterfloods in the Cushing field of Creek County, Oklahoma, resulted in production increases amounting to 3,200 barrels of crude oil per day during 1969, to nearly double the previous year's production rate. Getty Oil holds an average 94 percent interest in these units.

The Western Division participated in 10 active secondary recovery projects in California during 1969, serving as operator for five.

More than one million barrels of water had been injected into the C Block zones in the eastern portion of the Ventura Avenue field, Ventura County, California, by the end of 1969. The company is operator for an experimental waterflood project in this area which, if successful, could be expanded into tracts totaling 1,300 acres. Getty Oil holds a 100 percent working interest and 80 percent net interest in the production from this test unit.

In July, 1969, after a successful pilot waterflood test, arrangements were completed for the Torrance Unit, a 1,100-acre waterflood project in Los Angeles County, California. Under the unit, full-scale waterflood operations are expected to commence in 1970 and will eventually include 40 injection wells and 90 producing wells. Getty Oil holds a 13.5 percent interest.

Getty Oil launched its California thermal recovery programs in 1964 and by year end, 1969, had developed steam operations on its properties in 10 oilfields — eight in the San Joaquin Valley, one in the Cat Canyon field and one in the Brea Olinda field. Getty Oil's steam stimulation by cyclic injection was introduced on a large scale in the Kern River field, near Bakersfield, in 1964. Company net crude oil production in California amounted to 48,526 barrels per day at the end of 1964. By the end of 1969 net California production amounted to 93,865 barrels per day, with approximately 54,000 barrels per day attributable to thermal operations.

As a part of the continuing effort to improve profit factors and increase rates of crude oil production, company technical and operating people tested and proved the value of converting Kern River thermal operations from cyclic steam injection to steam displacement. In cyclic injection one well bore is used alternately for steam injection and for the production of heated crude oil. In displacement operations, steam is continuously forced into the oil-bearing formation through injection wells to heat the oil in place and push it toward producing wells.

In the expansion of steam displacement operations in 1969, the company drilled 74 new injection wells and installed six large new 50-million-BTU-per-hour steam generators in the Kern River field. Each new generator has more than twice the capacity of the models previously installed for cyclic injection and supplies water converted to steam for as many as 12 injection wells. Late in 1969 a huge 240-million-BTU-per-hour steam generator was ordered for installation in displacement operations by mid-1970.

FIELD AUTOMATION

Along with the latest expansion of steam displacement operations at Kern River, the company in 1969 completed the installation of its fieldwide computer-operated sampling, control and alarm network (SCAN). Through 90 satellite stations throughout the field, the computer automatically scans 2,500 wells and 106 steam generators every 7.5 minutes, reporting production efficiency in printout form at regular intervals or on demand. The computer also will display an alarm light and produce a report in the event of a malfunction in the system.

In the Mid-Continent Division, installation of a lease automation and supervisory control system was begun in 1969 at the Conroe field, 40 miles north of Houston, Texas. When completed in 1970, this system will be linked to a computer at the division office in Houston. The computer will monitor data from 68 oil wells, 14 gas wells and four salt water disposal wells.

NATURAL GAS PROCESSING

In Freestone County, Texas, the newly completed Teas gas sweetening and sulfur recovery plant, designed to extract 140 tons per day of sulfur from 15 million cubic feet per day of gas produced from the Teas and Carter fields, was placed on stream in September, 1969. Getty Oil is operator and owns a 30.8 percent interest.

In California's Ventura Avenue field, a highly automated natural gas processing plant, with a capacity of 15 million cubic feet per day, was nearing completion at year end. When construction is finished early in 1970, this efficient new plant will replace an outmoded installation which has been operating for more than 40 years.

Getty Oil Company's wide range of petroleum expertise is shown in South Louisiana, where drilling rigs search for oil and gas throughout the marshy coastline and offshore in the Gulf of Mexico. A gas liquids processing and transportation complex swiftly fractionates and moves product from fields to marketing centers. At the hub of this activity is the company's Venice terminal, on the Mississippi River Delta, which gathers crude oil for transfer to tankers.

LOUISIANA COMPLEX

Stretching 200 miles across some of the most prolific natural gas areas of southern Louisiana are many installations for producing, gathering, processing and delivering natural gas. Getty Oil is a major operator throughout this area.

The company has invested in a natural gas liquids pipeline system and related fractionation plant facilities under a two-phase program which started in 1965. The first phase, in which Getty Oil holds a one-third interest, includes a 50,000-barrels-per-day fractionation plant at Breaux Bridge, St. Mary Parish, Louisiana, and 188 miles of eight-inch pipeline for gathering raw liquids and for delivering product to two major customers in chemical manufacturing.

Construction of the second phase, in which Getty Oil holds a 25 percent interest, will double the capacity of the entire complex to 100,000 barrels a day. The second phase was begun in the first quarter of 1969 and is scheduled for completion in the first half of 1970 The principal additions are a 50,000-barrels-per-day natural gas liquids fractionation plant located at Napoleonville, Assumption Parish, Louisiana; 90 miles of pipeline connecting to the first-phase portion of the complex now in operation; and surface and salt-cavity product storage.


Getty
VENICE
TERMINAL

INTERNATIONAL PRODUCTION

Getty Oil crude oil production originates in the Saudi Arabia-Kuwait Neutral Zone, in Iran and in Algeria.

NET DAILY PRODUCTION
OUTSIDE NORTH AMERICA

	1969	1968
Crude oil, barrels	89,000	87,000

SAUDI ARABIAN DIVISION

Since 1949 Getty Oil has held an undivided one-half interest in the petroleum exploration, development and production operations in the Saudi Arabia-Kuwait Neutral Zone, under the terms of a concession agreement with the Government of the Kingdom of Saudi Arabia.

The company's cumulative share of field crude oil production since operations started in 1954 totaled nearly 350 million barrels at the end of 1969.

The company's share of production in 1969 was 62,300 barrels per day, compared with 63,400 barrels per day in 1968. Getty Oil owned 263 net wells of the 525 total wells in the Neutral Zone at the end of 1969.

Shipments by the Saudi Arabian Division increased during 1969 because of the ability of the Supply & Distribution Division to sell a greater volume of the crude oil than the other participant in the Neutral Zone operations, although the company's share of Neutral Zone production decreased slightly in 1969 from the 1968 level. Getty Oil liftings from the Neutral Zone in 1969 were 89,400 barrels per day of crude oil, compared with 1968 liftings by the company of of 85,000 barrels per day.

IRAN

Getty Oil's interest in Iranian Consortium oil production was 21,400 barrels per day in 1969, an increase over 1968's 18,800 barrels per day.

ALGERIA

Net crude oil production from the company's interest in the Rhourde el Baguel and Messdar fields amounted to 4,600 barrels per day in 1969, compared with 4,700 barrels per day in 1968.

RESERVES AND DRILLING ACTIVITY

The net worldwide crude oil and condensates, natural gas liquids and natural gas reserves of the company for 1968 have been restated, as explained in Footnote 3, Page 16.

NET RECOVERABLE RESERVES
UNITED STATES AND CANADA

	1969	1968
	(Thousands of barrels)	
Crude oil and condensate	1,404,000	1,451,000
Natural gas liquids	64,000	70,000
Total petroleum liquids	1,468,000	1,521,000
	(Billion cubic feet)	
Natural gas	3,354	3,451

NET RECOVERABLE RESERVES
OUTSIDE NORTH AMERICA

	1969	1968
	(Thousands of barrels)	
Crude oil and condensate	1,078,000	1,056,000

DEVELOPMENT AND EXPLORATORY WELLS DRILLED

	Development		Exploratory	
	1969	1968	1969	1968
Gross wells	426	888	60	107
Net wells	217	609	25	51
Crude oil liquids	183	564	1	8
Natural gas	17	17	4	6
Dry holes	17	28	20	37
Productive ratio	92%	95%	20%	27%

EXPLORATION

Getty Oil's participation in the Alaska North Slope lease sale in 1969 placed the company in good position in this new petroleum province.

In association with various companies, Getty Oil submitted winning lease bids, with bonuses totaling $271,892,560, which covered 45,782 gross acres in 18 tracts located throughout the Prudhoe Bay district.

The company's net expenditure for these tracts was $86,692,668.78, covering 8,567.95 net acres.

In one of the most dramatic moments of the sale, Getty Oil in association with Amerada Hess Corporation submitted the top bid and largest per-acre offer ever recorded in a lease sale—$72,277,133—and won the right to Tract 57, located only seven miles from the Prudhoe Bay discovery well.

The costs of these tracts will generally be amortized over a period of 10 years. Should the five most expensive tracts acquired by Getty Oil at that sale be included in a proposed Prudhoe Bay field operating unit, amortization on those tracts will be eliminated and the costs of the leases will be written off on a unit-of-production basis.

Hunt-Placid were designated the operators for the group Getty Oil is associated with, and at the close of the year plans were being readied by the operators for additional geophysical work as soon in 1970 as the weather would permit. Arrangements also were being made to commence drilling during 1970.

In other 1969 activity indicating the extent of the company's intensified exploratory program, Getty Oil International (Indonesia) Inc., acquired a 25 percent interest in a 30-year production sharing contract between the Indonesian government oil company and a subsidiary of Continental Oil Company covering operations on a 41,000-square-mile area in the South China Sea off Indonesia. Drilling on the area covered by the contract will begin during 1970.

In the West Paulding area of Jasper County, Mississippi, Getty Oil continued its string of successes along the Jurassic trend with the Getty Oil Company No. 1 Masonite, a Buckner formation oil discovery in an interval from 14,186 to 14,210 feet. On a 24-hour test, the well flowed through a 12/64-inch choke at the rate of 544 barrels per day of 49.8-degree-gravity crude oil. Getty Oil holds a 74.5 percent working interest in this well and owns 2,857 net acres in the area.

A confirmation well in this field, the Getty Oil Company No. 1 Ike Myers, was completed in the Smackover formation from 14,730 to 14,754 feet, flowing 932 barrels of crude oil per day on a 24-hour test through an 18/64-inch choke.

In East Texas, in the Rischers Store field of Freestone County, the company-operated H. B. Steward No. 2 was completed in the Woodbine formation to establish a new natural gas pay zone in the field. The Woodbine completion, in the interval from 3,640 to 3,644 feet, flowed at the rate of 1.1 million cubic feet of dry gas per day through an adjustable choke.

In the Anadarko Basin of the Texas Panhandle and western Oklahoma, another area of special interest to company geologists, the No. 1 Christopher Unit, in which Getty Oil has a 50 percent working interest, discovered natural gas in the Hunton formation in the interval from 14,120 to 14,220 feet. The well had a reported open flow potential of 60 million cubic feet of gas per day.

In the Gulf of Mexico off Texas and Louisiana, Getty Oil holds a 25 percent interest in each of two offshore groups involved in petroleum exploration and production. The CAGC group is active in waters off Louisiana and the CSSG group operates in Texas offshore areas.

A gas discovery in the Brazos Block A-76 area, located east of Corpus Christi, Texas, was announced by the CSSG group. Well test results were being evaluated at year end.

In Algeria three dry holes were drilled on separate permit areas during 1969 by Sonatrach, the government petroleum company which is operator for a joint exploratory effort with Getty Petroleum Company, a wholly owned subsidiary of Getty Oil. A geophysical survey had been initiated by year end on the 2,200-square-mile El M'Zaid permit.

NET OIL AND GAS ACREAGE
UNITED STATES AND CANADA

	1969	1968
Producing	583,000	458,000
Prospective	1,147,000	1,233,000
Total	1,730,000	1,691,000

NET OIL AND GAS ACREAGE
OUTSIDE NORTH AMERICA

	1969	1968
Producing	52,000	52,000
Prospective	8,517,000	2,097,000
Total	8,569,000	2,149,000

MINERALS AND NUCLEAR ENERGY

Since the company and its associates discovered substantial deposits of uranium ore on several blocks of land in the Shirley Basin of Wyoming in 1958, Getty Oil has progressively increased its investments to maintain a competitive capability in the dramatically expanding nuclear fuel segment of the energy industry.

NUCLEAR FUEL SERVICES, INC.

In anticipation of future demands for the services of chemical reprocessing facilities, required to keep pace with the increasing construction of nuclear-powered generating plants, Nuclear Fuel Services, Inc., in 1969 launched a four-year, $12 million expansion and improvement program at its plant near West Valley, New York.

By 1973 chemical-reprocessing capacity at the plant will be increased to three tons per day of spent but renewable fuel from power-plant reactors.

In addition to the expansion, the construction will include further improvements of pollution control and waste disposal equipment and systems to give the plant full benefit of the latest designs available.

MINERALS

Getty Oil in various projects with Skelly Oil and others continued its uranium exploration program during 1969 in five western states and Texas. Mineralization which may be significant —depending on the outcome of further drilling, mining feasibility studies and future market demand—was discovered on property held jointly by Getty Oil, Skelly Oil and Cleveland-Cliffs Iron Company in the Powder River Basin of Wyoming.

To enlarge its program in the search for precious and base metals, Getty Oil joined with American Zinc Company and Granite City Steel Company in 1969 to explore for lead, copper and iron ore on 11,335 acres in southeastern Missouri, one of the important mining districts of the world.

In March, 1969, Tidal Diamonds (SWA) Limited, owned one-third by Getty Oil and two-thirds by Consolidated Diamond Mines of South West Africa Limited, began offshore mining operations in Hottentot Bay from the mining vessel Pomona. Production in 1969 totaled 182,930 carats, most of which were gem stones.

Under the terms of an agreement effective in April, 1969, the owners of Petrotomics Company—Getty Oil one-third, Skelly Oil one-sixth and Kerr-McGee one-half — conveyed their interests in Petrotomics' uranium mining property and reserves in the Shirley Basin, Wyoming, plus certain mining equipment and vehicles, to a joint venture known as KGS-JV. Ownership percentages remained the same. Petrotomics Company will continue to mill the uranium ore from the mine on a toll basis. Getty Oil continues as the operator both for Petrotomics and for the KGS-JV. Production at Petrotomics in 1969 totaled 281,000 tons of ore and 1,150,300 pounds of U_3O_8 in concentrate.

At the end of the year the previously announced 500-ton-per-day increase in capacity of the Petrotomics mill was nearing completion. When the work is finished the mill will be able to process 1,500 tons of ore per day.

With the demand for energy growing at astonishing rates, Getty Oil Company employs the expertise gained in Shirley Basin uranium ore production as it diversifies in the nuclear cycle through Nuclear Fuel Services, Inc., carrying out its policy of investing and expanding in the areas it knows best. At the same time the company invests heavily in environmental conservation by restoring land contours at the Petrotomics mine and installing newest control systems at NFS.

UNITED STATES NET MINERALS ACREAGE

	1969	1968
Producing	532	21
Prospective	395,455	302,683
Total	395,987	302,704

OIL SHALE RESERVES

Getty Oil owns in fee approximately 24,300 acres of oil shale lands in western Colorado. The shallow Mahogany oil shale zone underlies about 21,300 acres of this property. It is estimated that the shale oil reserves in place in the Mahogany zone total approximately 4.2 billion barrels. The company continued engineering work on water reservoir sites and continued to investigate processes for extracting oil from shale on a profitable basis. It is not possible to predict when commercial production of shale oil may commence.

REAL ESTATE

An effort to intensify the long-term profit potential of the company's 90,000 acres of California fee land continued during 1969. Concentrated primarily in Los Angeles, Orange and Kern counties, these properties lie throughout and on the perimeter of the second most-populated region of the nation. Of the company's California lands, 40,000 acres in eastern and western Kern County are considered particularly suitable for farming operations. Large-scale agricultural development of these lands is a priority project of the company. This agricultural acreage has been acquired over a period of years, beginning in the early 1900's, at an average cost of approximately $96 per acre.

In western Kern County, water deliveries were being made in 1969 to 12,300 acres of the 30,000 total acres scheduled to receive irrigation water by 1974. Four tenant farmers were operat-

U_3O_8

ing these irrigated lands under separate crop-sharing contracts with the company. In order to test the suitability of western county lands for orchard operations, the company planted 210 experimental acres in olive and pistachio nut trees.

Approximately 10,000 acres of eastern Kern County lands owned by the company are considered arable and particularly suited for orchard operations. At the end of 1969, the company had farm management agreements covering a total of 805 acres of eastern county lands, all planted in almond and citrus orchards.

In October, 1969, the Minnehoma Land & Farming Company, a subsidiary of Getty Oil, was incorporated. Plans were established for planting 905 acres of Getty Oil fee land in citrus and almond groves in 1970, which will be managed and operated by Minnehoma.

With the completion of the new 18-hole championship golf course in 1969 at the Hotel Pierre Marques and Club de Golf, golf has become a major new attraction in Acapulco, Mexico. Other improvements completed during the year at the luxury resort complex owned by a subsidiary company include a convention center which can accommodate up to 500 persons for meetings. Several major American and foreign corporations have taken advantage of these modern facilities for executive seminars and sales meetings. Planning was begun in 1969, under the master plan for hotel expansion, for a new shopping mall and the addition of 175 guest rooms. Construction is to begin in 1970.

In Liberia during 1969 the company's development of a palm oil plantation continued with the completion of planting 300,000 young trees on a 5,000-acre tract operated by a subsidiary company. Design work on a mill to process palm oil has been completed and construction is planned to commence in late 1970.

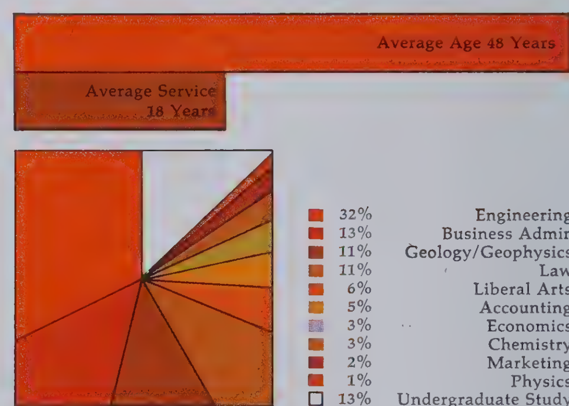
MARKETING

In an unprecedented marketing move, the Eastern Division simultaneously introduced the new Getty trademark and an entirely new premium-only gasoline marketing concept at 251 service stations in the Philadelphia-Delaware Valley area in September, 1969.

Early indications are that the combination program has received enthusiastic endorsement from customers and independent Getty Oil dealers alike.

GETTY OIL COMPANY EXECUTIVE PROFILE

A successful oil company needs dedicated and energetic executives with sound work and educational experience. Getty Oil Company has executives with excellent educational backgrounds and many years of experience in company operations. If a composite could be drawn of a typical Getty Oil manager, he would be a young 48, and he would have been with the company an average of 18 years. Most of these executives (87 percent) have college degrees and many have advanced degrees (23 percent). Their predominant areas of study have been engineering (32 percent), business administration (13 percent), and geology/geophysics (11 percent).



The distinctive red and orange Getty trademark lends a new look to service stations throughout this marketing area.

Getty Oil is the first major petroleum company in the East to market a premium grade of gasoline exclusively. Because of the unique manufacturing capabilities of Getty Oil's Delaware Refinery and economies realized from selling only the one grade, new high-quality Getty Premium can be sold by dealers at lower prices than many premium grades. Excellent consumer acceptance of Getty Premium in the greater Philadelphia area has increased sales at Getty outlets.

In addition, for the past four years, the division has successfully conducted a vigorous program to modernize and improve the efficiency of its marketing and distribution facilities and plants, geographically strengthen its service station representation, more effectively utilize the Delaware Refinery's tremendous built-in process flexibility, and establish faster, more effec-

tive measures for evaluating operations through greater use of advanced computer programs.

In other 1969 marketing activity, the division continued to emphasize its service station beautification program. Many key service stations were partially or completely rehabilitated to blend esthetically with the surrounding neighborhoods. New stations were constructed in areas selected for growth potential. The cluster rehabilitation program successfully initiated earlier in Trenton, New Jersey, and Portland, Maine, was continued in Bridgeport, Connecticut, where eight stations were simultaneously upgraded in 1969.

In overseas marketing programs for Veedol lubricants and Getty Oil petroleum products, the International Division, through wholly owned subsidiary companies in eight nations and Veedol distributors in 60 countries, continued to increase the efficiency of distribution systems and expand the number of outlets in key sales regions around the world.

Increased competition and higher foreign costs were encountered in international markets; however the volume of sales was increased in key marketing areas, resulting in higher profits.

Included in 1969 capital investment programs were construction, expansion or modernization projects for Getty Oil (Philippines) Inc., Huiles Veedol in France, Veedol G.m.b.H. in West Germany and Veedol Oil Company (Canada) Ltd.

MANUFACTURING

Getty's modern 140,000-barrels-per-stream-day refinery in Delaware provides gasoline and other high-quality products for the company's marketing effort concentrated in 11 states along the East Coast.

Refinery personnel, having made significant progress in development of off-line computer planning and scheduling, began developing new systems directed toward on-line control of refinery operations during 1969.

In the refinery's north area, a computer control project started early in the year represents a major step forward in the development of an on-line management information and control system. This system will apply computer process control to the catalytic cracker, the fluid coker and the crude unit in 1970.

The catalytic cracker and the alkylation units both achieved record runs in 1969 completing 1,169 days as of the end of the year. Both units are scheduled for turnarounds in April, 1970.

Delaware Refinery personnel achieved the one million manhour mark without a lost-time accident on May 19, 1969, and continued through the year with no-lost-time records reaching 1,744,354 manhours and 537 days.

SUPPLY AND DISTRIBUTION

Restoration of the Venice, Louisiana, marine terminal — which opened in the spring of 1969 and then was heavily damaged by Hurricane Camille on August 17—was well under way by year end, and part of the facility was operational.

Late in November two 100,000-barrel tanks were returned to service. At year end steelwork was being completed on one of the 200,000-barrel tanks and painting began. A new roof was being installed on the other 200,000-barrel tank which had been rebuilt after having been blown off its foundation. Steelwork had been completed on another of the 100,000-barrel tanks and it too was ready for painting.

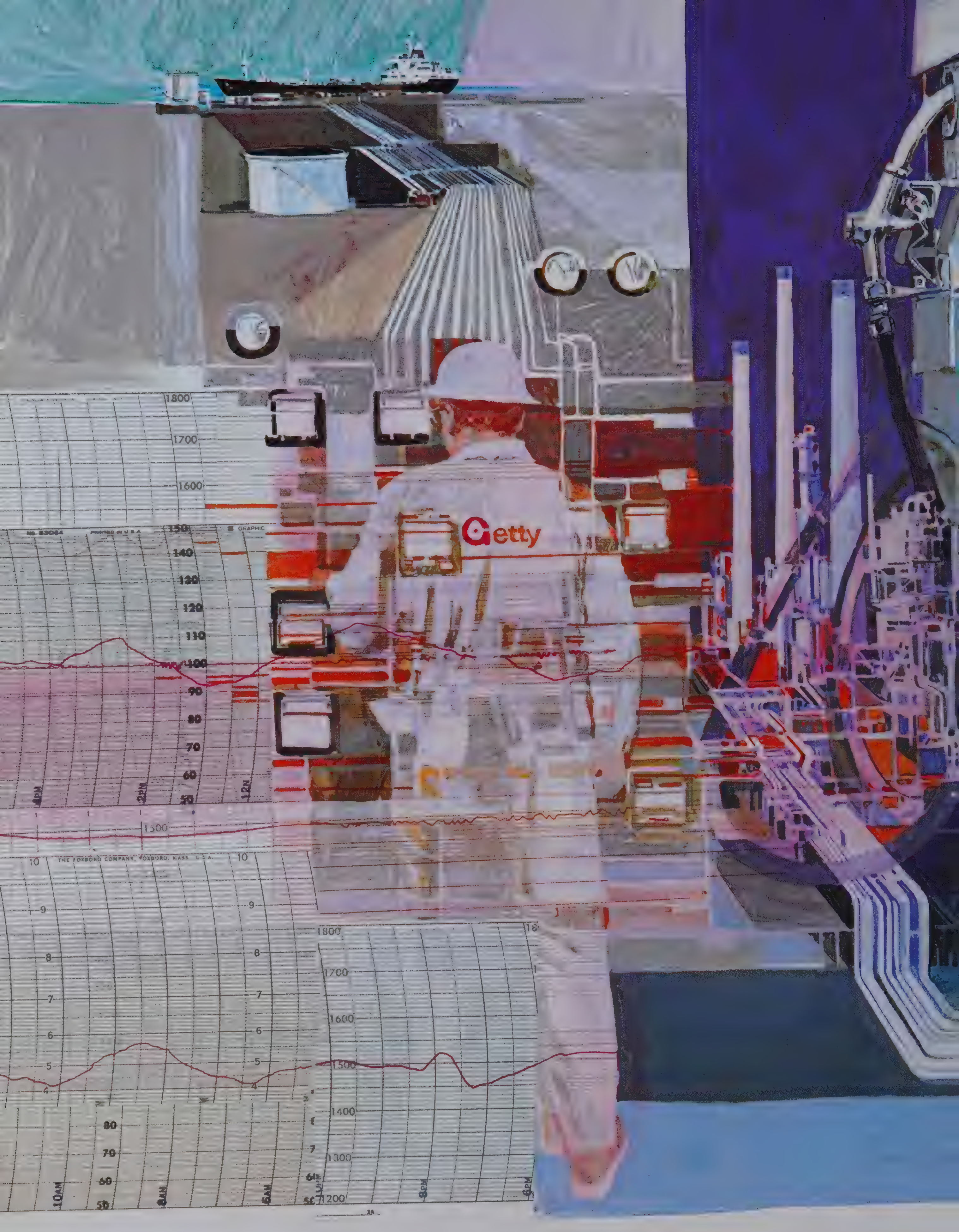
The heavily damaged 80,000-barrel tank was completely cut down and will be replaced by a new 64,000-barrel ballast tank. Two shipping pumps were reconditioned and are in service again. The control building's electrical control equipment has been reconditioned.

Three 25,000-barrel storage barges, which were put into service temporarily after the disaster, were released when repairs to the two 100,000-barrel tanks were completed. It is anticipated the marine terminal will be completely operational by mid-1970.

A large CAGC facility in Grand Isle Block 43 off Louisiana, consisting of five platforms connected by walkways, was completed in 1969. The facility handles crude oil and processes natural gas from two offshore fields in that area, with a total of 237 completions, moving the products to Grand Isle, Louisiana.

Since the platform went on stream in December, 1969, it has had gross throughput of 64,800 barrels of crude oil per day and 172 million cubic feet of gas per day.

During the first quarter of 1969, the 47-mile Grand Isle-to-Venice 12-inch pipeline, owned by Getty Pipe Line Company and used to move the company's offshore Louisiana production to market, was completed and tied into the Venice terminal. Operation of this line proceeded as


Getty
THE FOXBORO COMPANY, FOXBORO, MASS. U.S.A.

In a successful marketing innovation, Getty Oil Company simultaneously introduced its new trademark and a new premium-only gasoline sales program in its Eastern Division in 1969. The results of an introductory campaign involving 251 service stations in the Philadelphia-Delaware Valley area set the stage for the expansion of the program in 1970 throughout company marketing areas in 11 states on the Eastern Seaboard. The flexibility of the modern Delaware Refinery, which regularly receives and processes crude oil transported by the company's domestic and international-subsidiary fleets, contributes significantly to the production of the high-quality gasoline for the new program. In addition to the new marketing effort, the Eastern Division last year continued its vigorous program of modernizing and improving the efficiency of distribution facilities and service stations, including facilities designed to blend attractively with surrounding neighborhoods. The company continued, through investments and day-to-day practices, its long-standing efforts to conduct operations in accordance with acceptable environmental control standards.

planned until Hurricane Camille caused extensive damage to the Venice terminal. While the terminal was out of operation, the company's offshore production was barged temporarily from Grand Isle.

The jumboization and conversion of the SS Oklahoma Getty to an ore/oil combination carrier in 1969, plus the time chartering of six ships for two to three years, brought the international fleet's tonnage to 1,578,951 deadweight tons, consisting of 15 subsidiary-owned and ten time-chartered ships, operating under the Supply and Distribution Division.

The company signed contracts in 1969 for the construction of a new 222,000-deadweight-ton tanker and the jumboization of the 49,000-deadweight-ton SS Wafra to 68,600 deadweight tons. The new VLCC (very large crude carrier), to be named SS Alaska Getty, is scheduled for delivery late in 1971. It will be built in Japan and will initially operate between the Arabian Gulf and Japan under a long-term charter to Mitsubishi Oil Company.

In 1970 the afterbody of the SS Wafra will be joined to the deepened and lengthened forebody left from the converted SS Oklahoma Getty.

Mission Corporation

Mission Corporation's major asset is its ownership of 72.03 percent of the common stock in Skelly Oil Company. It has small amounts of petroleum production and reserves, which are included in the consolidated operating statistics. These figures are reported as follows:

	1969	1968
Crude oil and condensate, barrels daily	325	290
Natural gas, thousand cubic feet daily	371	349
Net producing wells owned	14.5	14.5

	1969	1968
Net dry hole	.5	—
Net acreage holdings		
Producing	1,903	1,923
Prospective	8,506	13,506
Net reserves		
Crude oil and condensate, barrels	723,000	803,000
Natural gas liquids, barrels	4,000	1,000
Total petroleum liquids, barrels	727,000	804,000
Natural gas, million cubic feet	828	960

Mitsubishi Oil Company

MANUFACTURING

Mitsubishi Oil Company, the Japanese affiliate of Getty Oil, continued its expansion program at the Mizushima Refinery in 1969 with the addition of a 20,000-barrels-per-day fluid-catalytic cracking unit. This unit converts gas oil to gasoline, liquified petroleum gas and fuel gas. Eventually it will supply the feedstock to a new petrochemical unit to be constructed in 1970.

Construction of a 150,000-barrel refrigerated above-ground storage tank for liquified petroleum gas has been completed at Mizushima to handle the increased liquified petroleum gas production due to the startup of the fluid-catalytic cracking unit in December, 1969.

In the company's continuing effort to reduce the sulfur content of its products and help alleviate the growing problem of air pollution in Japan, two new process units were built at Mizushima. The first of these involved the conversion of a 9,500-barrels-per-stream-day hydrocracking unit, originally designed for the production of middle distillates and gasoline, to a 20,000-barrels-per-stream-day fuel oil hydrodesulfurizer. The second unit is a new 25,000-barrels-per-day hydrodesulfurizer used for the removal of sulfur from kerosene and gas oils.

In petrochemical operations during 1969, a new 7,000-barrels-per-day paraffinic solvents plant was put on stream, and record production was accomplished in the aromatics complex which produces benzene, toluene and xylene.

MARKETING

As of December 31, 1969, Mitsubishi had a total of 3,294 service stations in operation in Japan, compared with 3,017 service stations in 1968.

NET INCOME AND CASH FLOW

Net income of Skelly Oil Company in 1969 was $38,371,000, or $3.21 per share, compared with 1968 net income of $40,269,000, or $3.34 per share, which included a gain of $2,600,000 or $.22 per share, on the sale of Diamond-Shamrock Corporation stock.

In 1969 net income was adversely affected by startup problems at the Chemplex Company polyethylene plant, in which Skelly Oil holds a 50 percent interest; a 52-day refinery strike; lower capital gains; reduced investment tax credit; and higher interest costs.

Favorable factors partially offsetting lower earnings were record refinery throughput and record product sales; lower dry hole costs; and higher dividend income.

SALES AND OTHER REVENUES

In 1969 sales and other revenues increased to $485,221,000 from the $470,418,000 attained in 1968. The advance was mainly the result of higher sales of refined and chemical products.

CAPITAL EXPENDITURES

Skelly Oil capital expenditures were $68,133,000 in 1969 compared with 1968 capital investments of $94,043,000. Of the 1969 capital budget, 56 percent, or $38,119,000, was spent in exploration and production activity, compared with 49 percent, or $45,842,000, of the 1968 budget.

PRODUCTION

Production of crude petroleum liquids by Skelly Oil in 1969 fell one percent from the 1968 level; however in the fourth quarter liquids production increased three percent over the comparable period of 1968. Production has been restated, as explained in Footnotes 1 and 2, Page 16.

The decrease in crude oil production is the result of normal declines in older fields and lower production in Alaska's Cook Inlet. Pressure maintenance programs planned to stabilize and eventually increase Cook Inlet production rates are under way.

NET DAILY LIQUIDS PRODUCTION
UNITED STATES AND CANADA

	1969	1968
Crude oil and condensate, barrels	78,000	81,000
Natural gas liquids, barrels	11,000	9,000
Total petroleum liquids, barrels	89,000	90,000

Increasing crude oil production in the Virgo-Zama area of northwestern Alberta, Canada, made a large contribution toward offsetting production declines elsewhere. Canadian crude oil production at the end of 1969 was 30 percent higher than a year earlier.

In the Virgo-Zama area, eight net oil wells were completed in 1969. Most of the Virgo-Zama wells are capable of producing 500 to 1,000 barrels per day of crude oil from depths of 5,500 feet. Producing formations more than 200 feet thick are frequently encountered.

Also making important contributions to production totals are the 267 additional-recovery units in which Skelly Oil participates. Nine such units became effective in 1969, and work continued toward forming 45 more, 11 of which Skelly will operate.

Natural gas production increased 4.7 percent in 1969 to establish a new record.

NET DAILY GAS PRODUCTION
UNITED STATES AND CANADA

	1969	1968
Natural gas, million cubic feet	404	386

Skelly participated in the completions of 41.6 net oil and gas wells in 1969 — 31 net oil wells

and 10.6 net gas wells. The company participated in the drilling of 14.4 net holes abandoned as commercially not productive.

RESERVES AND DRILLING ACTIVITY

Net crude oil and condensate and natural gas liquids reserves of Skelly Oil decreased slightly during 1969, while natural gas reserves went up.

NET RECOVERABLE RESERVES UNITED STATES AND CANADA

	1969	1968
	(Thousands of barrels)	
Crude oil and condensate	425,100	426,500
Natural gas liquids	21,100	25,600
Total petroleum liquids	446,200	452,100
	(Billion cubic feet)	
Natural gas	1,979	1,871

DEVELOPMENT AND EXPLORATORY WELLS DRILLED

	Development		Exploratory	
	1969	1968	1969	1968
Gross wells	188	184	52	80
Net wells	32.4	33.8	23.6	40.6
Crude oil liquids	22.0	25.3	9.0	8.6
Natural gas	7.7	5.0	2.9	10.1
Dry holes	2.7	3.5	11.7	21.9
Productive ratio	92%	90%	50%	46%

EXPLORATORY

On the Gulf Coast, the CSSG group, in which Skelly Oil and Getty Oil each hold a 25 percent interest, announced the completion of a discovery well on its Brazos Block A-76.

A continuation of the upward trend in Skelly Oil gas production was projected, with two offshore Louisiana discoveries playing major roles. The Block 6 field in the Main Pass area, some 70 miles east of New Orleans, was producing 25 million net cubic feet of gas per day for Skelly Oil at year end. The Coon Point field, about 75 miles southwest of New Orleans, was yielding 52 million net cubic feet of gas per day, along with 1,650 barrels of condensate. These rates were attained too late in the year to have significant impact on Skelly Oil production and earnings, but will affect 1970 performance.

In 1969 Skelly Oil operated important geophysical surveys in the Bristol Bay and the Bering Sea areas of Alaska for two different groups of companies, and took part in similar projects off the Eastern Seaboard. Getty Oil also participated in these activities. In addition Skelly Oil was active in the Gulf of Mexico and the Gulf of Alaska in the search for new reserves.

Skelly Oil Company in 1969 observed its 50th anniversary as an integrated petroleum company, with diversified interests that require expertise in exploration, are related to natural resources or utilize petroleum products, such as the company's participation in the plywood manufacturing industry. In its gasoline marketing, Skelly Oil in 1969 introduced a new marketing program which featured blending pumps dispensing five grades of gasoline.

MANUFACTURING

Average daily throughput at Skelly Oil's El Dorado, Kansas, refinery was at a record rate of 75,540 barrels per day, 6.8 percent higher than 1968's 70,704 barrels per day.

The 1969 throughput included an average of 64,660 barrels per day of crude oil and 10,880 barrels per day of natural gas liquids. Comparable figures for 1968 were 62,213 barrels of crude oil and 8,491 barrels of natural gas liquids. Refinery production for the year averaged 75,419 barrels per day, compared with 1968's 69,810 barrels per day.

The record was achieved despite a 52-day strike in January and February which severely curtailed refining operations and shut down the petrochemical and lube oil plants.

MARKETING

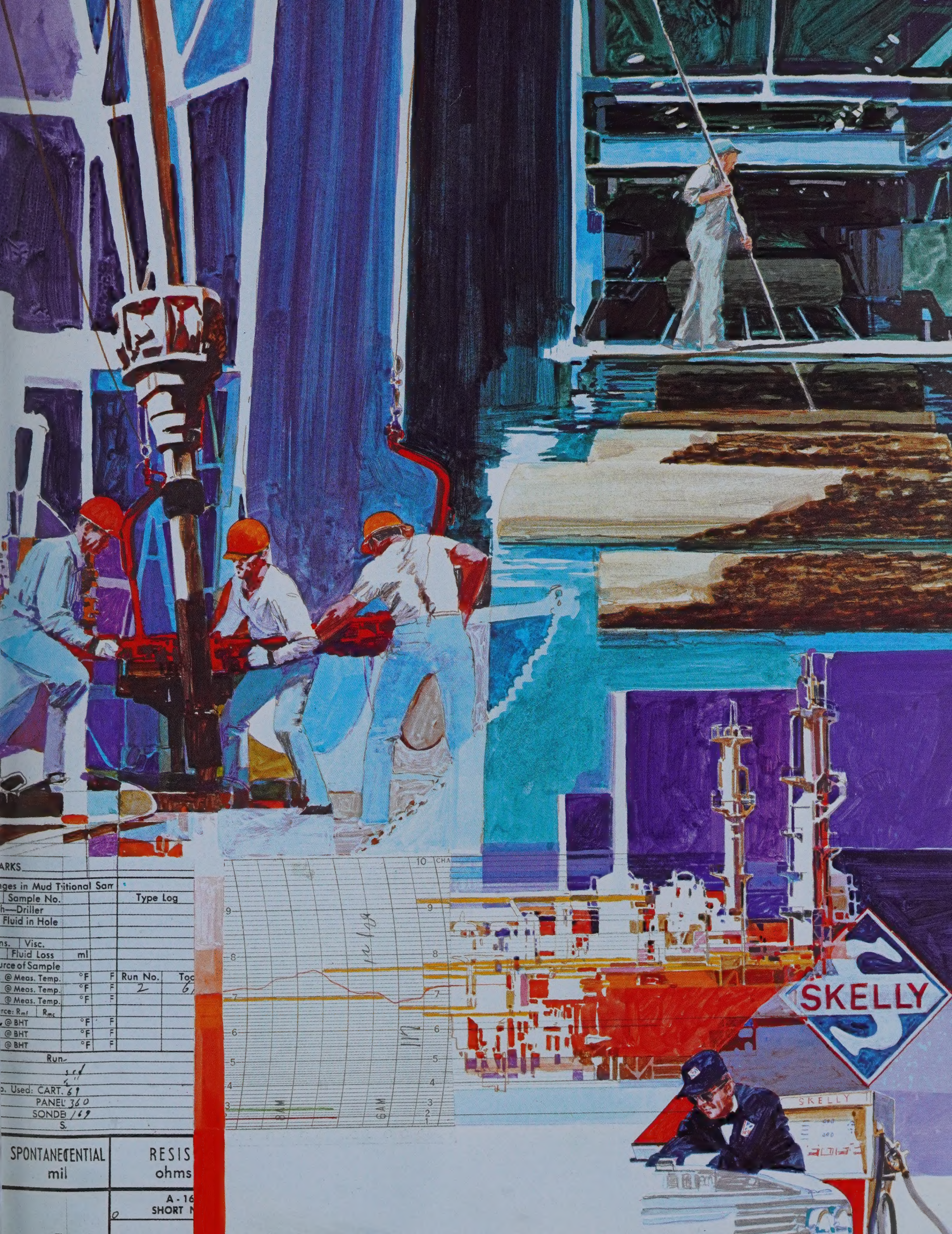
For the eighth consecutive year, Skelly Oil marketing efforts returned record product sales.

The 1969 sales volume for all finished products including liquefied petroleum gas was 1.8 billion gallons, a six percent increase over 1968's record of 1.7 billion gallons.

Total gasoline volume was four percent higher in 1969 than in 1968. In the same period, there was an increase of nine percent in retail gasoline sales, reflecting expansion in direct marketing activities as well as higher sales per station.

In comparison with 1968, sales of Keotane premium gasoline increased 10 percent in 1969.

Gasoline sales were helped substantially by the introduction in 1969 of a new marketing program featuring the use of blending pumps capable of delivering five grades of gasoline.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Visc.
Fluid Loss ml
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@ Meas. Temp. °F F
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@ BHT °F F
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SONDE 169
SPONTANEOENTIAL
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RESIS
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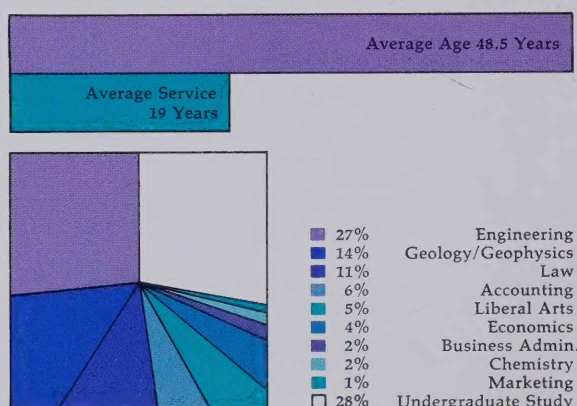
SKELLY
SKELLY

SKELLY OIL COMPANY EXECUTIVE PROFILE

A group of young well-educated executives with a great deal of experience is found in Skelly Oil Company. The typical Skelly executive is 48½ and has been with the company for 19 years. Most Skelly executives have earned college degrees (72 percent) and many hold advanced degrees (25 percent). Their predominant areas of study have been engineering (27 percent), geology/geophysics (14 percent) and law (11 percent).



These pumps have been installed at all major Skelly Oil stations and have contributed to the higher sales volume at these outlets.

Increased refinery output and higher sales, together with a reduction in lower-margin business, helped improve profits. However, this improvement was partially offset by the cost of the El Dorado Refinery strike. Prices of gasoline and other products during 1969 were higher on the average than in 1968. Most costs of refining and marketing also increased.

Skelly Oil increased the number of operating outlets on interstate highways to 210 and had 22 others under construction on December 31.

The Skelly Oil service station construction program began work on a prototype two-story truck stop which will provide opportunity for added revenue at a lower unit cost. As another part of this program, older stations are undergoing modernization where the volume potentials justify the expense involved.

Skelgas liquefied petroleum gas marketing programs are continuing to emphasize higher margin sales through expanding retail branch operations. These outlets sold 127 million gallons over the 117 million gallons sold in 1968. Profitability was lower because of depressed propane prices during most of 1969. In the fourth quarter there was a definite strengthening of prices, however.

Fertilizer sales also are being increased through the Skelgas branches. With Skelly Oil now owning 100 percent of Hawkeye Chemical Company, studies are being conducted to coordinate the fertilizer marketing activities of Skelgas branches with Hawkeye marketing to provide a more profitable fertilizer marketing program.

SUPPLY AND TRANSPORTATION

Significant among the accomplishments of the supply and transportation department was the completion of a seven-year project to expand and automate Kansas and Oklahoma crude oil and products pipeline systems. Five product terminals were added to the system in this period.

In 1969 Skelly Oil enjoyed the first full year of benefits from the products pipeline between the El Dorado Refinery and its terminal at Great Bend in western Kansas. Both the line and the terminal, constructed in 1968, handled volumes in excess of Skelly's projections.

Ten jointly or wholly owned product delivery terminals handled 209 million gallons of products in 1969, an increase of 39 percent over 1968.

DIVERSIFICATION

In October Skelly Oil entered into a 50-50 partnership with Chung Ju Fertilizer Corporation to build a $20 million acrylonitrile plant at Ulsan, Korea. The plant will go into production in 1971, the first such operation in Korea. It will produce acrylic fiber intermediates for the domestic and export textile and garment industry of Korea.

In July Skelly Oil bought Swift & Company's half interest in Hawkeye Chemical Company, achieving full ownership and the potential for improved performance at this Clinton, Iowa, center for manufacturing ammonia, nitrogen fertilizers, urea, and liquid carbon dioxide.

In Skelly Oil's wood-products business, Vanply of Liberia, Inc., was incorporated in 1969 to produce timber and later to manufacture plywood and veneer in Liberia. The company, 65 percent owned by Vanply, Inc., a wholly owned Skelly Oil subsidiary, holds concessions on 1.6 million acres of timberland in Liberia.

TRANSFER AGENTS

First National City Bank
Corporate Trust Department
399 Park Avenue
New York, New York 10022

Security Pacific National Bank
Corporate Trust and Agency Division
124 West Fourth Street
Los Angeles, California 90054

Crocker-Citizens National Bank
Stock Transfer Department
Rincon Annex, Box 3725
San Francisco, California 94120

Canada Permanent Trust Company
320 Bay Street
Toronto, Ontario, Canada
(Effective March 10, 1970)

REGISTRARS

The Chase Manhattan Bank, NA
Agency Division
1 Chase Manhattan Plaza
New York, New York 10015

Bank of America, NT&SA
Corporate Agency Division
1 South Van Ness Avenue
San Francisco, California 94120

Bank of America, NT&SA
Corporate Agency Division
111 West Seventh Street
Los Angeles, California 90014

The Canada Trust Company
110 Yonge Street
Toronto, Ontario, Canada
(Effective March 10, 1970)

PRINCIPAL OFFICES

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Mina Saud, Saudi Arabia-Kuwait Neutral Zone
Riyadh, Saudi Arabia

A financial and operating supplement, containing additional consolidated statistical data, is available upon request. Also available are copies of the annual reports of Mission Corporation and of Skelly Oil Company, and the separate statistical supplement published by Skelly.
Direct inquiries to
Public Relations Department
Getty Oil Company
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Los Angeles, California 90005

GETTY OIL COMPANY WHOLLY OWNED SUBSIDIARIES

Associated Oil Company (California)
Club Pierre Marques, S.A. (Mexico)
Dansk Veedol A/S (Denmark)
Getty Iran Ltd. (Delaware)
Gettymar Corporation (Liberia)
Getty Oil (Canada), Ltd. (Canada)
Getty Oil Company, Ltd. (Canada)
Getty Oil International (Indonesia), Inc. (Indonesia)
Getty Oil International Limited (Bahama Islands)
Getty Oil (Philippines), Inc. (Philippines)
Getty Petroleum Company (Liberia)
Getty Pipe Company (Pennsylvania)
Getty Pipe Line Company (Texas)
Getty Tankers, Ltd. (Liberia)
Hemisphere Transportation Corporation (Liberia)
Liberian Operations, Inc. (Liberia)
Lubrificanti Veedol S.p.A. (Italy)
Minnehoma Land and Farming Company (California)
Pacific Western Oil Corporation (Delaware)
Seaside Oil Corporation (Delaware)
Transoceanic Shipping Corporation (Liberia)
Veedol G.m.b.H. (Germany)
Veedol Oil Company (Canada), Ltd. (Canada)
Veedol Petroleum International A.G. (Switzerland)

GETTY OIL COMPANY CONSOLIDATED COMPANIES

Mission Corporation (Nevada)
Skelly Oil Company (Delaware)
Nuclear Fuel Services, Inc. (Maryland)

GETTY OIL COMPANY NONCONSOLIDATED COMPANIES

Mitsubishi Oil Company (Japan) 49.7%
Vangas, Inc. (California) 71.19%

ANNUAL MEETING

The Annual Meeting of stockholders will be held at 10 a.m., Thursday, May 7, 1970, at the offices of Corporation Trust Company, 100 West Tenth Street, Wilmington, Delaware

Getty Oil Company • 3810 Wilshire Boulevard, Los Angeles, California 90005